

What drew a cannabis producer to the ASX

Hans van Leeuwen
AFR correspondent

London | Four years ago, a former television executive was standing in a plum orchard in Bulgaria, surrounded by buzzing dragonflies, trying to picture it as a field of cannabis.

Fast-forward to Christmas 2021, and he and his colleagues are hoping their cannabis company, Dragonfly Biosciences, can create a \$10 million buzz on the ASX.

The UK-based maker of cannabidiol-based supplements and lotions is in the middle of an initial public offering for 50 million shares at 20¢ apiece, before it starts trading as a \$97 million company on Christmas Eve.

Dragonfly will join about 40 other cannabis-related companies on the ASX, which come in many diverse flavours, but its adviser Finexia might still have something of a job inspiring investor interest and confidence.

"If it was toothpaste, people would go, 'Oh, that's toothpaste, it works'. They're not really that worried about how you make the toothpaste, necessarily. But because it's cannabis, everyone wants to know, 'How have you made that? Where does it come from?'" said Dragonfly CEO Regan Saveall.

Dragonfly uses cannabidiol or CBD, a cannabinoid that is extracted from the cannabis or hemp plant, but avoids the psychoactive cannabinoid known as THC that is the staple of recreational and some medicinal cannabis.

As an oral supplement, CBD is supposedly of particular use against insomnia, anxiety and stress, and potentially chronic pain. The lotions are intended for general skin care, repair, protection and moisturising.

British TV exec Chris Wronski first came across CBD after launching a TV channel focused on health and wellness. He and Sofia-based entrepreneur Radost Draganova became hooked on the idea, ditching the TV channel and going all-in to try to turn CBD into the same kind of phenomenon in Britain that it already was in Canada.

Planting 10 hectares initially, the two founders built up to a 650-hectare operation, with an extraction plant across the border in Romania – in Bulgaria it is legal to cultivate cannabis but not to extract the cannabinoids. The extract is then processed and packaged up at a facility near the Bulgarian farm.

"There were other companies dipping their toe in at the same time, but they weren't confident enough to develop the full seed-to-shelf production chain," Mr Saveall said.

Their first batch was ready in 2018, just as the CBD market began to take off in Britain. They managed to get it stocked by pharmacy chain Boots in October that year, which unlocked the door to other stockists.

But the market they were riding into still had a bit of a wild west feel to it. Plenty of tinctures, lotions and potions had a cannabis leaf on the lid or label, but were not all they seemed.

"Unfortunately there were quite a lot of other products in the market purporting to be CBD that didn't have any at all," Mr Saveall said.

"People were taking it and not getting any benefit, and were thinking that CBD doesn't work. It was bringing down the credibility of the industry."

The British Food Standards Agency decided to step in, offering a seal of approval to companies that could authenticate their product.

But Mr Saveall said the regulator had received more applications for this than expected, and two deadlines –



Consumers have "seen what's happened in certain countries with all the cowboys": Regan Saveall, CEO of Dragonfly Biosciences. PHOTO: DOMENICO PUGLIESE

April and June – had now passed. "It is frustrating that it's taking this long."

But it could still be a game-changer for Dragonfly: when the FSA publishes the list of approved products, it will clean out the stable, leaving "only a handful of compliant brands and ... a huge opportunity then to really seize the market for the UK".

What will not change is a massive constraint on marketing, which challenges all CBD producers: they are not allowed to make claims for the medical benefits of their products. A bottle of Dragonfly CBD is labelled as "a food supplement", and the company relies on influencers, scientists and dispensers – such as homeopaths and pharmacists – to advise consumers on the ailments for which it may be a remedy.

In Australia, the Therapeutic Goods Administration down-scheduled low-dose CBD from a prescription medicine to a pharmacist-only medicine. Dragonfly has Special Access Scheme approval from the TGA for two of its products that are within the regulator's dosage specification.

The company hopes the TGA will eventually open things up further, and

set a precedent that, Mr Saveall, said could help Dragonfly crack its next targets, China and the US.

The company's ASX listing is not driven by the potential of the Australian consumer market. It arose because a delisted mining company, Siburan, was looking to move its shareholder base into a new activity.

Having merged with Siburan, which took the Dragonfly name, the newly Australian company was persuaded to go local for its capital raising.

About a quarter of the funds will be ploughed into new product development. Another quarter will go on potential takeover bids. A third chunk will go into developing the infrastructure – possibly including a second harvest in Australia that would allow the company to have a year-round supply.

"It has been hard work to get the infrastructure correct, and having all the accreditation, but it means we're seen as a credible, transparent and ethical company that can meet all the requirements," Mr Saveall said. "And that's what people are looking for now."

"They've seen what's happened in certain countries with all the cowboys."

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